

Message Text

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ACTION AF-10

INFO OCT-01 ISO-00 EB-08 SEC-01 TRSE-00 COME-00 L-03

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FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 5486

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E.O. 11652: N/A

TAGS: EINV, NI

SUBJECT: BRITISH-AMERICAN INSURANCE COMPANY VISIT TO LAGOS

REF: STATE 295320

1. BOARD CHAIRMAN WOODSON OF THE BRITISH-AMERICAN INSURANCE COMPANY CALLED ON AMBASSADOR AND ECONOMIC COUNSELOR ON DECEMBER 16. WOODSON STATED THAT HE WAS HERE TO INFORM US ABOUT HIS COMPANY'S OPERATIONS AND PHILOSOPHY AND DID NOT SEEK ANY SPECIFIC ASSISTANCE.

2. LIKE AIG, B-A FACES TWO PROBLEMS: VALUATION OF EQUITY SHARES AND NEGOTIATION OF A TECHNICAL SERVICE AGREEMENT (TSA). WOODSON BELIEVES THAT GOVERNMENT INSISTENCE ON LOW PRICES FOR ACQUIRED SHARES IS INEVITABLE AND THE COMPANY ACCORDINGLY WILL NOT FORCE A CONFRONTATION WITH THE FMG. ON OTHER HAND, AGREEMENT ON TSA IS CRITICAL. THE COMPANY IS DETERMINED TO ACHIEVE A MUTUALLY SATISFACTORY COMPROMISE AND HAS BEEN WORKING TOWARDS THIS OBJECTIVE SINCE 1972. WELL AWARE THAT THE PRICE PER SHARE IS INADEQUATE, THE COMPANY IS NOW DRAFTING A LETTER LINKING THE TRANSFER OF SHARES WITH THE NEED TO NEGOTIATE A TSA ACCEPTABLE TO B-A. INCOME GAINED ON THE LATTER WOULD OFFSET THE LOSS ON THE VALUATION OF THE SHARES. FOR ITS SERVICES THE COMPANY WANTS A 2-1/2 PERCENT OF ANNUAL PREMIUM INCOME (ROUGHLY DOLS 270,000).

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THE FMG, HOWEVER, IS OFFERING LESS THAN ONE PERCENT (APPROXIMATELY DOLS 100,000). B-A ARGUES THAT ITS SERVICES WOULD SAVE THE NIGERIAN COMPANY MUCH MORE THAN THE COST OF THE TSA FEE.

THE 11 PERCENT OF EQUITY SHARES NOW BEING TRANSFERRED ARE GOING TO THREE STATES. ONE OF THEM,

LAGOS STATE, HAS ALREADY SENT A CHECK TO THE COMPANY, TALKS

DURING THE PAST WEEK AND NEXT WEEK HOPEFULLY WILL HELP RESOLVE
THE DIFFERING VIEWPOINTS.

3. WOODSON EMPHASIZED THAT B-A DIFFERS FROM ITS COLLEAGUES IN
THE INSURANCE SECTOR IN SEVERAL WAYS, FIRST, IT TRIES TO AVOID
CONFLICT WITH THE HOST GOVERNMENT. SECOND, IT SPECIALIZES
IN HOME SERVICE LIFE INSURANCE IN WHICH THE AGENT SELLS FROM
DOOR TO DOOR AND ACTS AS A CONTINUING COUNSELOR TO EACH CLIENT.
THIRD, ITS LIFE INSURANCE POLICIES ARE SMALL AND REQUIRE NO
RE-INSURANCE. IT BELIEVES ITS APPROACH AND STYLE OF OPERATION
IS WELL SUITED TO DEVELOPING COUNTRIES. BRITISH AMERICAN,
HEADQUARTERED IN THE BAHAMASA, BUT ACTUALLY A SUBSIDIARY OF
THE OCCIDENTAL INSURANCE COMPANY OF NORTH CAROLINA, IS 97
PERCENT AMERICAN AND 3 PERCENT BIRTISH.
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Copy: SINGLE
Sent Date: 17-Dec-1977 12:00:00 am
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